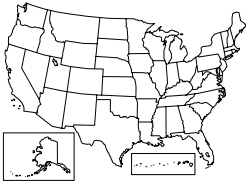


MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- **Inflation-adjusted Gross Domestic Product (GDP)** increased at a seasonally-adjusted annual rate of 3.4% in the second quarter of 2005, compared with growth of 3.8% in the first quarter of 2005. An increase in personal consumption expenditures, which essentially rose at the same rate as during the first quarter, was almost completely offset by declines in business inventories (particularly in motor vehicle inventories). As a result, most growth in the second quarter reflected an increase in fixed investment (primarily in transportation equipment and residential investment) and a marked improvement in net exports. Adjusted for inflation, exports rose at an annual rate of 12.6% in the second quarter, while imports fell at an annual rate of 2.0%.

- **Retail sales** surged 1.8% from May to June, equating to an annual rate of nearly 24%, and were up 9.8% compared with June 2004. As during the previous two months, sales at gasoline stations led the year-over-year increase, growing 16.2% from June 2004. Sales of motor vehicles and parts and nonstore retailers also exhibited double-digit year-over-year growth, at 14.3% and 11.9%, respectively. All sectors exhibited year-over-year growth of at least 4.2%.

- The **unemployment rate** fell to 5.0% in June, from 5.1% in May. The improvement was due to an increase in employment of 163,000 jobs while the size of the labor force was up by only 1,000 individuals. However, June employment was only 1.8% above the level one year ago.

- New price incentive offers from domestic manufacturers pushed **motor vehicle sales** above year-ago levels. However, virtually all of the increase reflected higher sales of domestic light trucks, which were up 25.4%. By comparison, sales were up 3.8% for imported light trucks, 3.6% for imported automobiles, and 4.0% for domestic automobiles.



- The **Michigan unemployment rate** fell from 7.1% in May to 6.8% in June, but this did not reflect improvement in the labor market. While the number unemployed fell by 18,000, the number employed declined 20,000 and the number of individuals in the labor force shrank by 38,000. Compared with one year ago, employment was 26,000 jobs higher and there were 11,000 fewer unemployed individuals.

- The **Detroit consumer price index (CPI)** declined at a 0.6% annual rate between May and June. Declines in apparel, goods, and food prices more than offset increases in costs for energy, housing, and medical care. Compared with one year ago, prices for all items were up an average of 2.0%.

- **Michigan wage and salary employment** rose by 5,000 jobs from May to June, although the June level was 14,000 fewer than one year ago. Transportation equipment manufacturing employment was down 8,000 jobs between May and June and 21,000 below the level in June 2004.



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Prepared by:
David Zin
Economist

U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

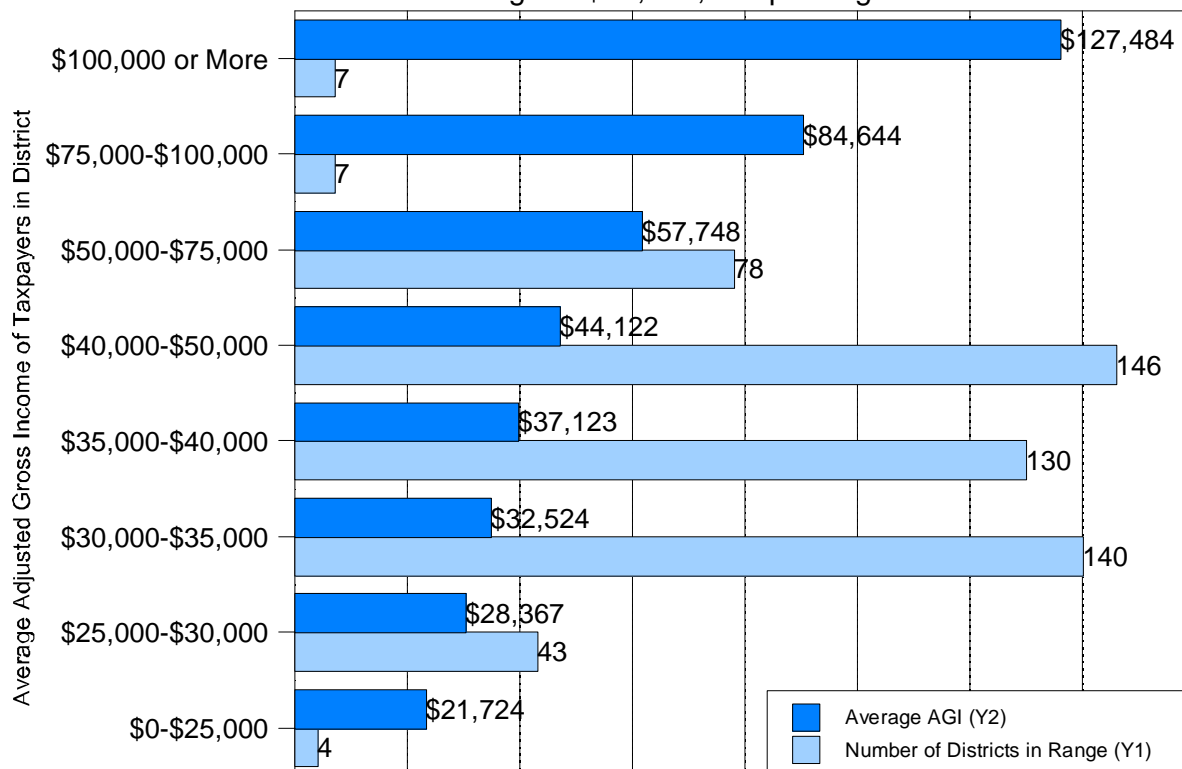
U.S.	June 2005	May 2005	June 2004	Change from May		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	149,123	149,122	147,386	1	0.0	1,737	1.2
Employment	141,638	141,475	139,158	163	0.1	2,480	1.8
Unemployment	7,486	7,647	8,228	(161)	(2.1)	(742)	(9.0)
Unemployment Rate	5.0%	5.1%	5.6%	---	---	---	---

Michigan	June 2005	May 2005	June 2004	Change from May		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,091	5,129	5,075	(39)	(0.8)	16	0.3
Employment	4,746	4,766	4,719	(20)	(0.4)	26	0.6
Unemployment	345	363	356	(18)	(5.0)	(11)	(3.0)
Unemployment Rate	6.8%	7.1%	7.0%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Average Adjusted Gross Income By School District, 2002

Most Districts Near State Average of \$41,600, Despite Significant Extremes



Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	June 2005*	May 2005	June 2004	<u>Change from May</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,374	4,369	4,388	5	0%	(14)	(0)%
Goods Producing Industries	869	879	894	(9)	(1)	(25)	(3)
Natural Resources & Mining	9	9	8	(0)	(2)	1	6
Construction	189	189	191	0	0	(1)	(1)
Manufacturing	671	681	696	(9)	(1)	(24)	(3)
Transportation Equipment	235	243	256	(8)	(3)	(21)	(8)
Service Producing Industries	3,505	3,490	3,493	14	0	11	0
Trade, Transportation & Utilities	815	811	811	4	0	4	1
Information	65	65	68	0	0	(3)	(5)
Financial Activities	218	218	218	0	0	0	0
Professional & Business Services	578	569	584	8	1	(6)	(1)
Education & Health Services	561	555	551	6	1	10	2
Leisure & Hospitality Services	407	409	403	(2)	(1)	4	1
Other Services	178	180	179	(1)	(1)	(0)	(0)
Government	682	683	680	(1)	(0)	2	0

Source: Bureau of Labor Statistics, U.S. Department of Labor * Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	June 2005	Year Ago	Percent Change	June 2005	Year Ago	Percent Change
Construction	38.2	38.2	0.0%	830.47	829.32	0.1%
Manufacturing	41.9	42.5	(1.4)	895.40	909.50	(1.6)
Durable Goods	42.6	43.5	(2.1)	973.84	991.37	(1.8)
Motor Vehicle Manufacturing	44.0	42.8	2.8	1,364.00	1,319.95	3.3
Motor Vehicle Parts Manufacturing	44.8	45.8	(2.2)	1,219.90	1,274.16	(4.3)
Nondurable Goods	39.3	38.6	1.8	604.04	584.40	3.4
Wholesale Trade	36.2	37.4	(3.2)	679.84	724.06	(6.1)
Retail Trade	29.6	29.8	(0.7)	354.02	342.40	3.4
Grocery Stores	26.4	25.3	4.3	226.78	222.89	1.7
General Merchandise Stores	28.5	29.5	(3.4)	299.25	304.74	(1.8)
Information	39.3	37.1	5.9	738.45	643.49	14.8
Financial Activities	33.8	34.1	(0.9)	586.09	535.03	9.5
Prof. & Business Services	34.7	35.1	(1.1)	611.07	581.96	5.0
Health Care & Social Assistance	33.8	35.0	(3.4)	546.21	556.15	(1.8)
Leisure & Hospitality	23.5	23.2	1.3	190.82	187.46	1.8
Auto. Repair & Maintenance	34.5	34.9	(1.1)	515.43	551.07	(6.5)
Personal & Laundry Services	28.4	28.0	1.4	342.50	368.76	(7.1)

Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

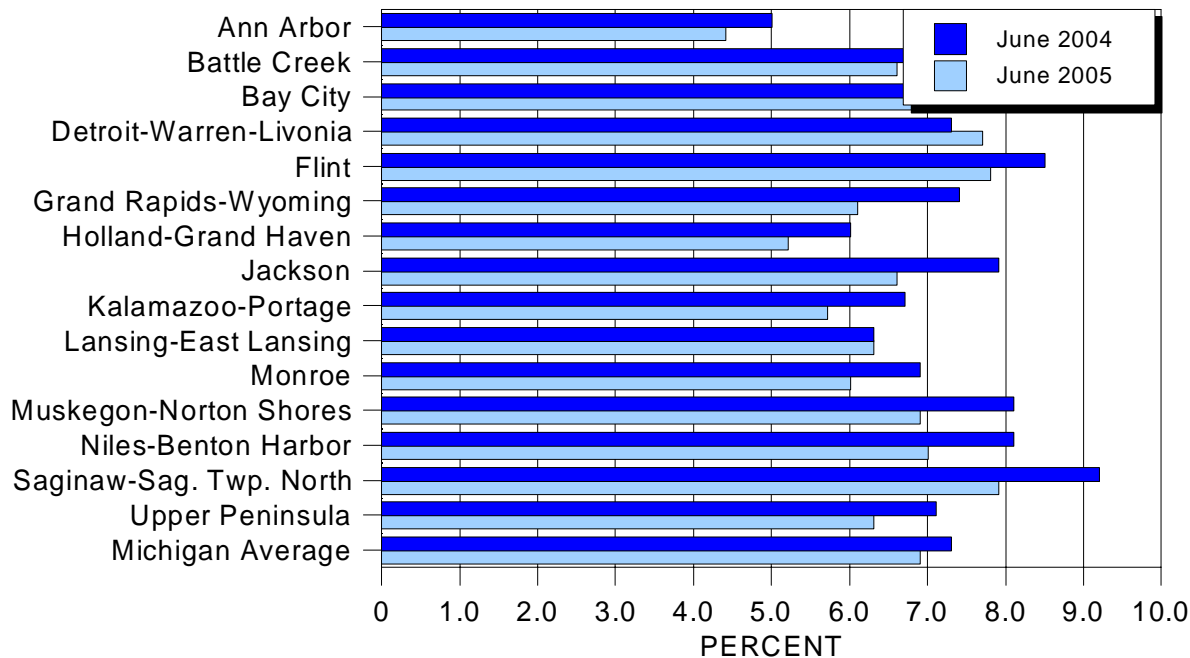
	June 2005*	May 2005	April 2005	June 2004
Metropolitan Statistical Areas				
Ann Arbor	4.4%	4.7%	4.1%	5.0%
Battle Creek	6.6	6.9	6.2	7.3
Bay City	6.9	7.5	7.1	8.0
Detroit-Warren-Livonia	7.7	7.2	7.1	7.3
Flint	7.8	8.2	7.6	8.5
Grand Rapids-Wyoming	6.1	6.3	5.7	7.4
Holland-Grand Haven	5.2	5.4	4.8	6.0
Jackson	6.6	7.0	6.2	7.9
Kalamazoo-Portage	5.7	6.0	5.2	6.7
Lansing-East Lansing	6.3	6.3	5.2	6.3
Monroe	6.0	6.3	5.8	6.9
Muskegon-Norton Shores	6.9	7.4	6.7	8.1
Niles-Benton Harbor	7.0	7.4	6.5	8.1
Saginaw-Saginaw Twp North	7.9	8.2	7.7	9.2
Multi-County Areas				
Northeast Lower Michigan	6.8	7.9	9.2	8.1
Northwest Lower Michigan	5.8	6.7	7.1	6.9
Upper Peninsula	6.3	7.1	7.8	7.1
Michigan Statewide Average	6.9	6.9	6.7	7.3
-- Unadjusted (comparable to figures shown above)				

Source: Michigan Department of Labor and Economic Growth

*Preliminary

Michigan Regional Unemployment Rates

June 2004 and June 2005

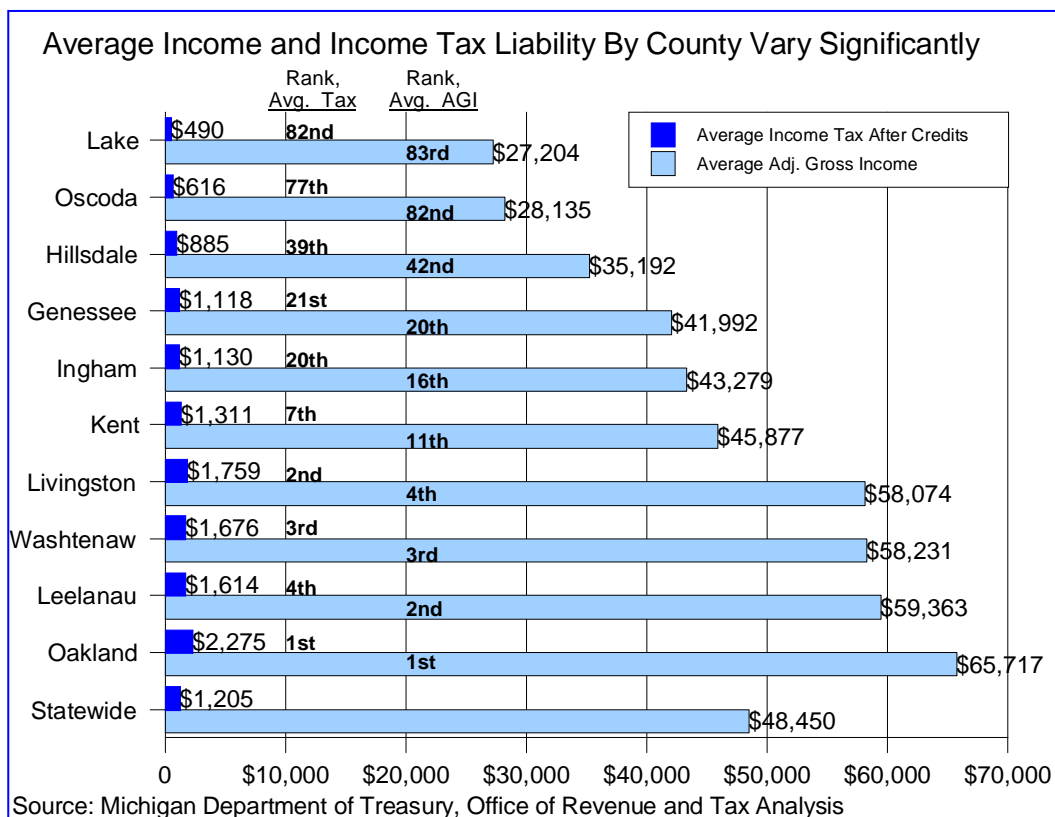


Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
(Thousands of Units)**

						Percent Change From:	
	June 2005	May 2005	Apr. 2005	Mar. 2005	Year Ago June	June/May	June 2005/ June 2004
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,324	7,551	8,157	7,683	7,052	(3.0)%	3.9%
Domestics	5,129	5,330	5,815	5,512	4,934	(3.8)	4.0
Imports	2,195	2,221	2,342	2,171	2,118	(1.2)	3.6
Import Share	30.0%	29.4%	28.7%	28.3%	30.0%	---	---
Light Trucks	10,168	9,066	9,247	9,119	8,318	12.2	22.2
Domestics	8,908	7,844	7,978	7,917	7,104	13.6	25.4
Imports	1,260	1,222	1,269	1,202	1,214	3.1	3.8
Import Share	12.4%	13.5%	13.7%	13.2%	14.6%	---	---
Heavy Trucks	505	466	476	475	395	8.4	27.8
Total	17,997	17,083	17,880	17,277	15,765	5.4	14.2
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,372	4,112	4,094	4,375	4,036	6.3	8.3
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,212	1,051	1,511	1,052	1,110	15.3	9.1
Trucks	1,339	1,246	1,450	1,250	1,226	7.5	9.2
Total	2,551	2,296	2,960	2,302	2,337	11.1	9.2
Michigan Production as % of U.S.	21.7%	20.8%	23.6%	21.3%	20.1%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,411	1,394	1,485	1,547	1,623	1.2	(13.1)
Days Supply	50	47	55	57	59	6.4	(15.3)
Total Truck	2,330	2,437	2,495	2,465	2,609	(4.4)	(10.7)
Days Supply	64	74	87	79	85	(13.5)	(24.7)

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	June	133.0	132.4	131.4	0.5%	1.2%
Coincident Index ¹⁾ (1992=100)	June	147.6	147.1	142.0	0.3	3.9
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	June	2,004	2,004	1,827	0.0	9.7
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	June	\$317.0	\$311.5	\$288.7	1.8	9.8
Industrial Production Index 3) (1997=100, seasonally adjusted)	June	119.7	118.6	115.1	0.9	3.9
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	June	80.0	79.4	77.8	0.8	2.7
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	June	194.1	194.1	189.3	0.0	2.5
Detroit (not seasonally adjusted)	June	189.6	189.8	185.8	(0.6)	2.0
Interest Rates						
3-month Treasury Bill ³⁾	June	2.99%	2.86%	1.27%	---	---
Corporate Aaa Bonds ³⁾	June	4.96%	5.15%	6.01%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2005 2nd Qtr.	\$11,092.0	\$10,999.3	\$10,704.1	3.4	3.6
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	June 2005	\$1,562.1	\$1,674.9	\$1,513.0	NM	3.2

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.
*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

